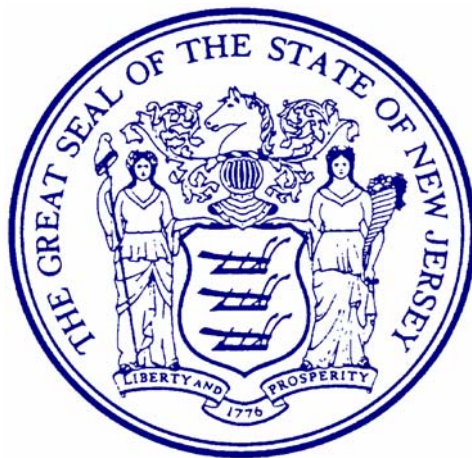


**RESORTS INTERNATIONAL HOTEL, INC.  
QUARTERLY REPORT**

**FOR THE QUARTER ENDED June 30, 2006**

**SUBMITTED TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



**DIVISION OF FINANCIAL EVALUATION  
REPORTING MANUAL**

# RESORTS INTERNATIONAL HOTEL, INC.

## BALANCE SHEETS

AS OF June 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<u>ASSETS:</u>			
	Current Assets:			
1	Cash and Cash Equivalents.....		\$18,697	\$23,973
2	Short-Term Investments.....		0	0
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2006, \$1,628; 2005, \$1,325).....	2	7,443	8,830
4	Inventories .....		2,639	2,490
5	Other Current Assets.....	3	10,821	9,438
6	Total Current Assets.....		39,600	44,731
7	Investments, Advances, and Receivables.....	4	11,944	11,212
8	Property and Equipment - Gross.....		316,577	306,665
9	Less: Accumulated Depreciation and Amortization.....		(62,941)	(44,159)
10	Property and Equipment - Net.....		253,636	262,506
11	Other Assets.....		5,714	5,642
12	Total Assets.....		\$310,894	\$324,091
	<u>LIABILITIES AND EQUITY:</u>			
	Current Liabilities:			
13	Accounts Payable.....		\$14,711	\$11,103
14	Notes Payable.....		0	0
	Current Portion of Long-Term Debt:			
15	Due to Affiliates.....		0	0
16	External.....		12,741	1,935
17	Income Taxes Payable and Accrued.....		0	0
18	Other Accrued Expenses.....	5	21,741	18,401
19	Other Current Liabilities.....	6	11,087	8,709
20	Total Current Liabilities.....		60,280	40,148
	Long-Term Debt:			
21	Due to Affiliates.....	7	177,978	177,378
22	External.....	7	13,684	20,424
23	Deferred Credits .....		0	6,010
24	Other Liabilities.....		0	0
25	Commitments and Contingencies.....		0	0
26	Total Liabilities.....		251,942	243,960
27	Stockholders', Partners', or Proprietor's Equity.....		58,952	80,131
28	Total Liabilities and Equity.....		\$310,894	\$324,091

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED June 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$133,879	\$128,547
2	Rooms.....		10,480	10,395
3	Food and Beverage.....		15,188	10,806
4	Other.....		2,893	2,478
5	Total Revenue.....		162,440	152,226
6	Less: Promotional Allowances.....		40,502	33,233
7	Net Revenue.....		121,938	118,993
	Costs and Expenses:			
8	Cost of Goods and Services.....		86,161	80,887
9	Selling, General, and Administrative.....		25,317	19,027
10	Provision for Doubtful Accounts.....		294	108
11	Total Costs and Expenses.....		111,772	100,022
12	Gross Operating Profit.....		10,166	18,971
13	Depreciation and Amortization.....		10,375	9,705 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....		0	0
15	Other.....		0	0
16	Income (Loss) from Operations.....		(209)	9,266 *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....	8	(10,659)	(10,625)
18	Interest Expense - External.....		(1,660)	(759)
19	CRDA Related Income (Expense) - Net.....		(497)	(401)
20	Nonoperating Income (Expense) - Net.....		365	302 *
21	Total Other Income (Expenses).....		(12,451)	(11,483) *
22	Income (Loss) Before Taxes and Extraordinary Items.....		(12,660)	(2,217)
23	Provision (Credit) for Income Taxes.....		175	(207)
24	Income (Loss) Before Extraordinary Items.....		(12,835)	(2,010)
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0; 2005, \$0 ).....		0	0
26	Net Income (Loss).....		(\$12,835)	(\$2,010)

\* Restated to conform with current year presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED June 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	Revenue:			
1	Casino.....		\$69,438	\$67,290
2	Rooms.....		5,320	5,837
3	Food and Beverage.....		7,855	5,936
4	Other.....		1,404	1,121
5	Total Revenue.....		84,017	80,184
6	Less: Promotional Allowances.....		20,357	17,558
7	Net Revenue.....		63,660	62,626
	Costs and Expenses:			
8	Cost of Goods and Services.....		43,344	40,914
9	Selling, General, and Administrative.....		14,639	8,716
10	Provision for Doubtful Accounts.....		199	64
11	Total Costs and Expenses.....		58,182	49,694
12	Gross Operating Profit.....		5,478	12,932
13	Depreciation and Amortization.....		5,526	4,883 *
	Charges from Affiliates Other than Interest:			
14	Management Fees.....			
15	Other.....			
16	Income (Loss) from Operations.....		(48)	8,049 *
	Other Income (Expenses):			
17	Interest Expense - Affiliates.....		(5,333)	(5,315)
18	Interest Expense - External.....		(773)	(465)
19	CRDA Related Income (Expense) - Net.....		(288)	(223)
20	Nonoperating Income (Expense) - Net.....		987	143 *
21	Total Other Income (Expenses).....		(5,407)	(5,860)
22	Income (Loss) Before Taxes and Extraordinary Items.....		(5,455)	2,189
23	Provision (Credit) for Income Taxes.....		87	1,030
24	Income (Loss) Before Extraordinary Items.....		(5,542)	1,159
	Extraordinary Items (Net of Income Taxes -			
25	2006, \$0 ; 2005, \$0 ).....		0	0
26	Net Income (Loss).....		(\$5,542)	\$1,159

\* Restated to conform with current year presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND THE SIX MONTHS ENDED JUNE 30, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
			Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2004.....		100	\$0			\$77,673		\$4,468	\$82,141
2	Net Income (Loss) - 2005.....								(10,354)	(10,354)
3	Contribution to Paid-in-Capital.....									0
4	Dividends.....									0
5	Prior Period Adjustments.....									0
6										0
7										0
8										0
9										0
10	Balance, December 31, 2005.....		100	0	0	0	77,673	0	(5,886)	71,787
11	Net Income (Loss) - 2006.....								(12,835)	(12,835)
12	Contribution to Paid-in-Capital.....									0
13	Dividends.....									0
14	Prior Period Adjustments.....									0
15										0
16										0
17										0
18										0
19	Balance, June 30, 2006 .....		100	\$0	0	\$0	\$77,673	\$0	(\$18,721)	\$58,952

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED June 30, 2006 AND 2005

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
1	CASH PROVIDED (USED) BY OPERATING ACTIVITIES..		(\$3,216)	\$6,625 *
	CASH FLOWS FROM INVESTING ACTIVITIES:			
2	Purchase of Short-Term Investments .....		0	0
3	Proceeds from the Sale of Short-Term Investments .....		0	0
4	Cash Outflows for Property and Equipment.....		(6,738)	(11,690)
5	Proceeds from Disposition of Property and Equipment.....		77	28
6	CRDA Obligations .....		(1,622)	(1,478)
7	Other Investments, Loans and Advances made.....		0	0
8	Proceeds from Other Investments, Loans, and Advances .....		0	0
9	Cash Outflows to Acquire Business Entities.....		0	0
10	CRDA Reimbursement .....		0	0
11				
12	Net Cash Provided (Used) By Investing Activities.....		(8,283)	(13,140)
	CASH FLOWS FROM FINANCING ACTIVITIES:			
13	Proceeds from Short-Term Debt .....		7,000	5,000
14	Payments to Settle Short-Term Debt.....		(2,748)	(5,000)
15	Proceeds from Long-Term Debt .....		0	0
16	Costs of Issuing Debt.....		613	(52)
17	Payments to Settle Long-Term Debt.....		0	(1,419)
18	Cash Proceeds from Issuing Stock or Capital Contributions...		0	0
19	Purchases of Treasury Stock.....		0	0
20	Payments of Dividends or Capital Withdrawals.....		0	0
21				
22				
23	Net Cash Provided (Used) By Financing Activities.....		4,865	(1,471)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....		(6,634)	(7,986)
25	Cash and Cash Equivalents at Beginning of Period.....		25,331	31,959
26	Cash and Cash Equivalents at End of Period.....		\$18,697	\$23,973 *
	CASH PAID DURING PERIOD FOR:			
27	Interest (Net of Amount Capitalized).....		\$11,232	\$11,102
28	Income Taxes.....		\$935	(\$709)

\* Restated to conform with current year presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED June 30, 2006 AND 2005

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Notes	2006 (c)	2005 (d)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
29	Net Income (Loss).....		(\$12,835)	(\$2,010)
30	Depreciation and Amortization of Property and Equipment.....		9,677	8,151 *
31	Amortization of Other Assets.....		698	1,554
32	Amortization of Debt Discount or Premium.....		309	275
33	Deferred Income Taxes - Current .....		0	0
34	Deferred Income Taxes - Noncurrent .....		0	(572)
35	(Gain) Loss on Disposition of Property and Equipment.....		6	(28)
36	(Gain) Loss on CRDA-Related Obligations.....		497	401
37	(Gain) Loss from Other Investment Activities.....		0	0
38	(Increase) Decrease in Receivables and Patrons' Checks .....		2,201	(3,299)
39	(Increase) Decrease in Inventories .....		(172)	(158)
40	(Increase) Decrease in Other Current Assets.....		(8,072)	(107)
41	(Increase) Decrease in Other Assets.....		435	646
42	Increase (Decrease) in Accounts Payable.....		6,705	146
43	Increase (Decrease) in Other Current Liabilities .....		(2,665)	1,626
44	Increase (Decrease) in Other Liabilities .....		0	0
45			0	0
46				
47	Net Cash Provided (Used) By Operating Activities.....		(\$3,216)	\$6,625 *

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>			
48	Additions to Property and Equipment.....		(\$6,738)	(\$11,690)
49	Less: Capital Lease Obligations Incurred.....		0	0
50	Cash Outflows for Property and Equipment.....		(\$6,738)	(\$11,690)
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>			
51	Property and Equipment Acquired.....			
52	Goodwill Acquired.....			
53	Other Assets Acquired - net .....			
54	Long-Term Debt Assumed.....			
55	Issuance of Stock or Capital Invested.....			
56	Cash Outflows to Acquire Business Entities.....		\$0	\$0
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>			
57	Total Issuances of Stock or Capital Contributions.....		\$0	\$0
58	Less: Issuances to Settle Long-Term Debt.....		0	0
59	Consideration in Acquisition of Business Entities.....		0	0
60	Cash Proceeds from Issuing Stock or Capital Contributions.....		\$0	\$0

\* Restated to conform with current year presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# RESORTS INTERNATIONAL HOTEL, INC.

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

FOR THE SIX MONTHS ENDED June 30, 2006

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	97,052	\$7,540	195	\$33
2	Food	423,874	7,023	61,986	930
3	Beverage	1,342,818	4,138	0	0
4	Travel	0	0	13,398	1,427
5	Bus Program Cash	204,471	3,653	0	0
6	Other Cash Complimentaries	664,033	17,415	0	0
7	Entertainment	18,269	636	1,716	214
8	Retail & Non-Cash Gifts	2,471	37	32,598	3,749
9	Parking	0	0	0	0
10	Other	3,803	60	73,985	1,628
11	Total	2,756,791	\$40,502	183,878	\$7,981

\* No single item or service included in other promotional expenses exceeds 5% of the column total

FOR THE THREE MONTHS ENDED June 30, 2006

Line (a)	Description (b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	52,610	\$3,663	15	\$3
2	Food	168,666	3,480	38,454	577
3	Beverage	695,115	2,158	0	0
4	Travel	0	0	7,405	913
5	Bus Program Cash	94,599	2,045	0	0
6	Other Cash Complimentaries	428,240	8,699	0	0
7	Entertainment	10,167	260	634	79
8	Retail & Non-Cash Gifts	1,268	19	16,640	1,914
9	Parking	0	0	0	0
10	Other	2,001	33	39,629	872
11	Total	1,452,666	\$20,357	102,777	\$4,358

\* No single item or service included in other promotional expenses exceeds 5% of the column total

# RESORTS INTERNATIONAL HOTEL, INC. STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

FOR THE QUARTER ENDED June 30, 2006

1. I have examined this Quarterly Report
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

8/15/2006

Date



Lawrence J. McCabe

Director - Finance

Title

3392-11

License Number

On Behalf of:

RESORTS INTERNATIONAL HOTEL, INC.

Casino Licensee

**RESORTS INTERNATIONAL HOTEL INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Colony RIH Holdings, Inc., a Delaware corporation ("CRH"), owns 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc., also a Delaware corporation ("RIHC"). CRH also owns 100% of the common stock of Resorts Real Estate Holdings, Inc. ("RREH"), a New Jersey corporation formed on April 1, 2003 to acquire certain land subject to an option agreement ("Option Agreement") between Kerzner International North America, Inc. ("KINA") and RIHC. RIHC, through its wholly-owned subsidiary, Resorts International Hotel, Inc., a New Jersey corporation ("RIH" or the "Company"), owns and operates Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ.

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of 11½% first mortgage notes (the "First Mortgage Notes") (see Note 7, "Long-Term Debt"). Concurrent with the sale of the First Mortgage Notes, CRH issued class A common stock and class B common stock to its existing shareholders for a total price of approximately \$35.0 million. The proceeds from the sale of the First Mortgage Notes and issuance of stock were used to retire existing debt and to finance the cost to develop, construct and equip a new hotel tower (the "Hotel Expansion Project").

At June 30, 2006, RIHC had a restricted cash balance of \$51,000, which is included in other assets on the accompanying balance sheet. The restricted cash consists of the unexpended portion of the proceeds of an asset sale, as required by the Indenture.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the "Commission") for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principals for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the three months and six months ended June 30, 2006, are not necessarily indicative of the results that may be expected for the final close of the year ended December 31, 2006.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH's Quarterly Report for the quarter ended December 31, 2005, as filed with the Commission.

**2. Receivables**

Components of receivables were as follows at June 30 (in thousands):

	2006	2005
Gaming .....	\$ 6,823	\$ 5,412
Less: allowance for doubtful accounts .....	(1,601)	(1,298)
	<u>5,222</u>	<u>4,114</u>
Non-gaming:		
Hotel and related .....	629	1,042
Other .....	1,618	3,701
	<u>2,247</u>	<u>4,743</u>
Less: allowance for doubtful accounts .....	(26)	(27)
	<u>2,221</u>	<u>4,716</u>
Receivables, net .....	<u>\$ 7,443</u>	<u>\$ 8,830</u>

### 3. Prepaid Expenses and Other Current Assets

Components of prepaid expenses and other current assets were as follows at June 30 (in thousands):

	2006	2005
Current portion deferred income taxes.....	\$ 0	\$ 4,804
Income tax receivable .....	0	623
Prepaid insurance.....	7,423	832
Other.....	3,398	3,179
	<u>\$ 10,821</u>	<u>\$ 9,438</u>

### 4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at June 30 (in thousands):

	2006	2005
CRDA bonds and direct investments .....	\$ 8,169	\$ 10,880
CRDA deposits .....	10,204	9,051
Valuation allowance .....	(6,429)	(8,719)
	<u>\$ 11,944</u>	<u>\$ 11,212</u>

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the six months ended June 30, 2006 and 2005 for discounts on obligations were \$561,533 and \$401,000 respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. The majority of the Company's deposits have been pledged for specific projects.

### 5. Other Accrued Expenses

Components of other accrued expenses were as follows at June 30 (in thousands):

	2006	2005
Insurance and related costs .....	\$ 2,232	\$ 1,533
Payroll and related liabilities .....	9,184	9,268
Gaming taxes and fees .....	1,873	2,684
Construction retainage payable.....	3,586	1,151
Other.....	4,866	3,765
	<u>\$ 21,741</u>	<u>\$ 18,401</u>

### 6. Other Current Liabilities

Components of other current liabilities were as follows at June 30 (in thousands):

	2006	2005
Interest Payable.....	\$ 6,146	\$ 6,045
Other.....	4,941	2,664
	<u>\$ 11,087</u>	<u>\$ 8,709</u>

## 7. Long-Term Debt

### Due to Affiliates

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of First Mortgage Notes at a price of 97.686% yielding \$175.8 million. Interest on the First Mortgage Notes is payable on March 15 and September 15 of each year, and the First Mortgage Notes are due in full on March 15, 2009. In conjunction with the issuance of the First Mortgage Notes, RIHC issued a note to RIH with terms that mirror those of the First Mortgage Notes.

The First Mortgage Notes contain certain covenants that, among other things, limit RIHC's ability and the ability of its subsidiaries to pay dividends on, redeem or repurchase its or their capital stock, make investments, incur additional indebtedness, permit payment of or restrict dividends by certain of its subsidiaries, enter into sale leaseback transactions, sell assets, guarantee indebtedness, create certain liens, engage in transactions with affiliates, and consolidate, merge or transfer all or substantially all its assets and the assets of its subsidiaries on a consolidated basis.

In connection with the construction of the Hotel Expansion Project, the Company capitalized interest of \$4.1 million during the six months ended June 30, 2004. The Company ceased capitalization of interest during the second quarter of 2004, as the Hotel Expansion Project was ready for its intended use.

### Other

Other long-term debt is summarized as follows at June 30 (in thousands):

	2006	2005
Thermal Agreement .....	\$ 5,836	\$ 6,153
CIT Facility.....	13,589	15,956
Revolving Credit Facility.....	7,000	0
Other.....	0	250
	<u>26,425</u>	<u>22,359</u>
Less: current portion .....	12,741	1,935
	<u>\$ 13,684</u>	<u>\$ 20,424</u>

In June 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$5.8 million at June 30, 2006.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc ("CIT Facility"). The CIT Facility permits RIH to borrow up to \$20 million for the purchase of machinery, furniture, or equipment. As amended, the loans pursuant to the CIT Facility are repayable in up to a sixty month amortization period from the date the loan is made. The outstanding loans associated with the CIT Facility bear interest at the rate of LIBOR plus the applicable margin (as defined) which can range from 3.25% to 5.75% based upon operating results. As of June 30, 2006, the interest rate on the CIT Facility was 8.99% per annum. RIH is required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. The CIT Facility contains a fixed charge coverage ratio and a senior leverage financial covenant as defined in the Credit Facility. As of June 30, 2006, RIH was not in compliance with the financial covenants contained in the CIT facility and received a waiver from CIT with respect to such non-compliance. The outstanding balance due to CIT at June 30, 2006 was approximately \$13.6 million.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A. ("Commerce Facility"). The Commerce Facility agreement was amended in June 2006 to provide for working capital borrowings and letters of credit up to \$15 million. The letter of credit portion of the Commerce Facility allows for a maximum of \$7.5 million. However, if the maximum amount for the letters of credit is not used, the unused letter of credit portion is available for borrowings up to a maximum of \$10.0 million. The Commerce Facility expires on August 31, 2006. As of June 30, 2006 there were \$5.2 million of standby letters of credit issued against the Commerce Facility and borrowings having an aggregate outstanding balance of \$7.0 million. The remaining availability of the letter of credit portion of the Commerce Facility at June 30, 2006 was \$2.3 million or \$2.8 million on the borrowing portion including the unused letter of credit portion. The Company was not in compliance with the Commerce Facility covenants at June 30, 2006 and received a waiver from Commerce for its deficiency.

During 2004, RREH purchased from KINA approximately 8.0 acres of land adjacent to and nearby the Resorts site. The land was acquired in exchange for the issuance of a \$40 million note by RREH to KINA. This \$40 million note will mature immediately following the maturity, acceleration or refinancing (other than permitted refinancing) of the First Mortgage Notes, which are due March 15, 2009. Interest on the \$40 million note is payable semi-annually and is calculated at the following annual rates: 0% through September 2005, 4% from October 2005 through March 2006, 6% from April 2006 through March 2008, and 9% from April 2008 through March 2009. The note payable to KINA is guaranteed by CRH, RIHC and RIH, provided, however, that the guarantee of RIHC and RIH does not become effective until either the First Mortgage Notes have been paid in full or the fixed charge coverage ratio of RIHC is at least 2.0 to 1.0. In addition, the amount guaranteed is initially limited to \$20 million increasing by \$5 million each year. The KINA Note contains cross-default provisions whereby the acceleration of the scheduled maturity of the First Mortgage Notes constitutes an event of default under the KINA Note.

## 8. Related Party Transactions

RIH recorded the following expenses from affiliates for the six months ended June 30 (in thousands):

	2006	2005
Interest expense .....	\$ 10,350	\$ 10,350
Amortization of discounts on First Mortgage Notes .....	309	275
	<u>\$ 10,659</u>	<u>\$ 10,625</u>

## 9. Income Taxes

The provision for income taxes for the six months ended June 30, 2006, is different than the amount computed at the United States statutory rate due to certain non-deductible items and state income taxes, which are calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licenses in calendar year 2002, payable in the state's fiscal years 2005 through 2006. This tax expired June 30, 2006, the state's fiscal year-end. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$175,000 and \$350,000 for the years 2006 and 2005. For the three and six month periods ended June 30, 2006, the Company recorded provisions of \$88,000 and \$175,000, respectively, for this tax.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, requires the suspension of the use of the New Jersey net operating loss carryforwards through 2006 and the introduction of a new alternative minimum assessment ("NJAMA") under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. The Tax Act was retroactive to January 1, 2002 and expires at December 31, 2007. Since amounts paid under the alternative minimum assessment have an unlimited expiration date to offset state taxable income upon suspension of the NJAMA, the Company has a tax credit recorded on the balance sheet at June 30, 2006 for the cumulative amount of the future tax credits related to payments under the NJAMA since the inception of the NJAMA.